

# Introduction to the FY 2003 Budget

The District of Columbia has what is arguably the most complex government in the United States.

In one entity, the District government provides services typically delivered elsewhere by states, counties, cities and special taxing districts. Totalling \$5.6 billion, the FY 2003 Proposed Budget and Financial Plan includes funding for services as diverse as cleaning streets, issuing bonds for affordable multifamily housing, registering voters, licensing motorists, running a lottery, managing a vast multimodal transit system, putting out fires, educating children, protecting the welfare of at-risk youth, and promoting economic development.

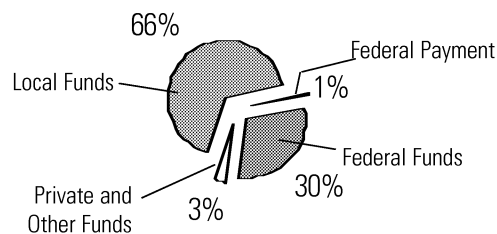
The District's proposed budget is similar to any budget in that it identifies resources (revenues) and uses (expenditures) to accomplish specific purposes identified in citywide and departmental goals. In addition to these basic elements, the proposed budget includes a financial forecast for the District, the Mayor's policy priorities and detailed cost information for programs and activities.

Resources for providing District services come from a variety of sources including local tax revenue, federal grants and aid, and private grants (see Exhibit 1). Local tax revenue accounts for a majority of the resources required to provide services and include common tax sources such as income, property, and sales taxes (Exhibit 2).

Detailed revenue information, including historical trends, FY 2003 estimates and revenue projection assumptions are included in the revenue overview section of this budget book.

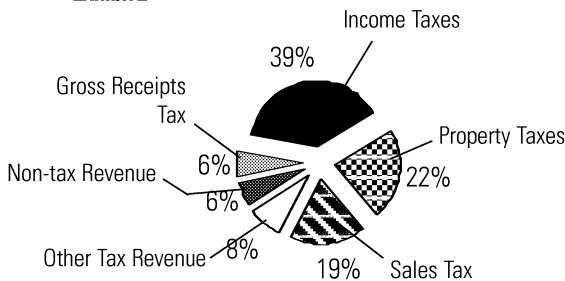
## Where the money comes from - total funds FY 2003

*Exhibit 1*



## Where the money comes from - local funds FY 2003

*Exhibit 2*



To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is developed, presented and executed along several perspectives. These perspectives include funds, appropriation titles, agencies, programs and expense category.

As detailed in Exhibit 1, expenditures are grouped by the source of funding. The total of these funds is referred to as gross funds. The gross funds budget for FY 2003 is proposed at \$5.6 billion. For the purposes of appropriating the District's budget, agency budgets are grouped by common function such as public safety or education. Table 1 reflects the FY 2003 proposed gross funds budget by the District's seven appropriation titles.

The local funds budget, the budget supported by locally generated tax revenue represents 66 percent of the gross budget. Table 2 depicts the local funds budget by appropriation title. The largest appropriation titles, Public Education System and Human Support Services, represent

54 percent of the local funds budget – meaning \$.54 of every tax dollar generated is directed to these two functional areas. Within the appropriation titles are the agencies that provide the programs and services. For example, the Public Education System appropriation title includes the D.C. Public Schools, the University of the District of Columbia and Public Charter Schools. The FY 2003 proposed budget includes 99 “agencies” dispersed across the seven appropriation titles.

The majority of this budget book is dedicated to providing specific agency and program funding. Summary tables of funding by agency and fund type are included in appendices of this budget volume.

To provide a context as to the types of expenses incurred to deliver a particular program, information is presented by expense category. Table 3 depicts the entire local funds budget by expense category. These same categories are used by all District agencies. Agency costs by expense category are included in the agency chapter of this budget book.

## **FY 2003 Total Expenditures (All Funding Sources - Dollars in Thousands)**

**Table 1**

|                                     | <b>FY 2002 Approved Budget</b> | <b>FY 2003 Proposed Budget</b> | <b>Change</b>    | <b>% Change</b> |
|-------------------------------------|--------------------------------|--------------------------------|------------------|-----------------|
| Government Direction and Support    | \$286,138                      | \$278,887                      | \$(7,251)        | -2.5%           |
| Economic Development and Regulation | 230,878                        | 237,128                        | 6,250            | 2.7%            |
| Public Safety and Justice           | 633,853                        | 645,851                        | 11,998           | 1.9%            |
| Public Education System             | 1,108,665                      | 1,227,727                      | 119,062          | 10.7%           |
| Human Support Services              | 1,803,923                      | 2,431,663                      | 627,740          | 34.8%           |
| Public Works                        | 300,151                        | 319,891                        | 19,740           | 6.6%            |
| Receiverships                       | 403,868                        | -                              | (403,868)        | -100.0%         |
| Financing and Other                 | 544,568                        | 488,202                        | (56,366)         | -10.4%          |
| <b>Total</b>                        | <b>\$5,312,044</b>             | <b>\$5,629,349</b>             | <b>\$317,305</b> | <b>6.0%</b>     |

1 Agency budgets proposed for FY 2003 include the FY 2003 impact of pay raises that have been approved or are known at this time. For example, they include the four percent raise granted to many nonunion employees for FY 2003, as well as the 3-year effect of raises for union employees in Comp units 1 and 2 for FY 2001, 2002, and 2003. The estimated costs of raises that are not known at this time are centrally budgeted in the agency named Workforce Investments within the Financing and Other appropriation title.

## FY 2003 Total Expenditures (Local Funds - Dollars in Thousands)

Table 2

|                                     | FY 2002 Approved Budget | FY 2003 Proposed Budget | Change           | % Change    |
|-------------------------------------|-------------------------|-------------------------|------------------|-------------|
| Government Direction and Support    | \$229,421               | \$223,985               | \$(5,436)        | -2.4%       |
| Economic Development and Regulation | 60,786                  | 64,736                  | 3,950            | 6.5%        |
| Public Safety and Justice           | 594,803                 | 626,009                 | 31,206           | 5.2%        |
| Public Education System             | 896,994                 | 1,007,832               | 110,838          | 12.4%       |
| Human Support Services              | 711,072                 | 1,026,721               | 315,649          | 44.4%       |
| Public Works                        | 286,334                 | 304,897                 | 18,563           | 6.5%        |
| Receiverships                       | 250,515                 | -                       | (250,515)        | -100.0%     |
| Financing and Other                 | 544,568                 | 488,202                 | \$(56,366)       | -10.4%      |
| <b>Total</b>                        | <b>\$3,574,493</b>      | <b>\$3,742,382</b>      | <b>\$167,889</b> | <b>4.7%</b> |

## FY 2003 Expenditures By Category (Local Funds - Dollars in Thousands)

Table 3

|                                      | FY 2002 Approved Budget | FY 2003 Proposed Budget | Change           | % Change    |
|--------------------------------------|-------------------------|-------------------------|------------------|-------------|
| Continuing Full Time Pay             | \$1,100,585             | \$1,187,295             | \$86,710         | 7.9%        |
| Regular Pay - Other                  | 65,028                  | 68,311                  | 3,283            | 5.0%        |
| Additional Gross Pay                 | 53,167                  | 56,276                  | 3,109            | 5.8%        |
| Fringe Benefits                      | 166,946                 | 183,660                 | 16,714           | 10.0%       |
| Subtotal Personal Services           | 1,385,726               | 1,495,542               | 109,816          | 7.9%        |
| Supplies and Materials               | 130,829                 | 36,396                  | \$(94,433)       | -72.2%      |
| Energy, Comm., and Bldg. Rentals     | 41,530                  | 57,606                  | 16,076           | 38.7%       |
| Telephone, Telegraph, Telegram, Etc. | 16,424                  | 21,217                  | 4,793            | 29.2%       |
| Rentals - Land and Structures        | 66,024                  | 77,380                  | 11,356           | 17.2%       |
| Janitorial Services                  | 5,211                   | 4,042                   | \$(1,169)        | N/A         |
| Security Services                    | 15,086                  | 13,626                  | \$(1,460)        | N/A         |
| Other Services and Charges           | 119,898                 | 162,254                 | 42,356           | 35.3%       |
| Contractual Services - Other         | 236,625                 | 342,056                 | 105,431          | 44.6%       |
| Subsidies and Transfers              | 1,218,544               | 1,162,064               | \$(56,480)       | -4.6%       |
| Equipment & Equipment Rental         | 36,725                  | 43,232                  | 6,507            | 17.7%       |
| Debt Service                         | 301,873                 | 326,972                 | 25,099           | 8.3%        |
| Subtotal Nonpersonal Services        | 2,188,769               | 2,246,845               | 58,076           | 2.7%        |
| <b>Total</b>                         | <b>\$3,574,493</b>      | <b>\$3,742,382</b>      | <b>\$167,889</b> | <b>4.7%</b> |

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## Why does the District of Columbia prepare a budget?

The budget is developed not only to align resources with priorities, but more importantly to provide a structured environment for funding and policy decisions. The District's budget is presented from various perspectives, including the source of funding (taxes, grants, bond proceeds), broad categories of programs (public safety, education), and types of expenditures (personnel costs, utility expenses and capital equipment). These differing perspectives of the budget facilitate the policy and resource allocation decisions of the District Council.

The budget is also developed to comply with Council Resolution 14-290 - "Fiscal Year 2003 Budget Submission Requirements Resolution of 2001." Resolution 14-290 includes the requirements for how to present the budget, what to include as supplemental information and the date of budget presentation (March 18, 2002).

## Who decides what is in the Budget?

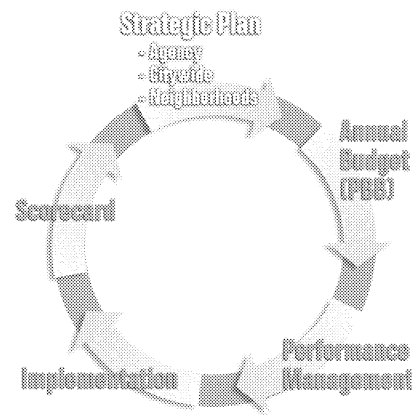
The budget process is inclusive, with many opportunities for interested parties to contribute to the formulation of the FY 2003 budget for the District of Columbia. Ultimately, the budget reflects the consensus priorities of the Mayor and the Council. As described in the following section, every party influenced by the budget has an opportunity to participate and comment on the proposed budget for FY 2003.

## How and when is the Budget Prepared?

Budget development and budget execution are an integral part of the District's Strategic Management Cycle (Exhibit 3). At any point in this cycle, the District government is concerned with three fiscal years, the previous fiscal year program performance and financial reporting, the current year budget execution and the subsequent year's budget development.

## Strategic Management Cycle

*Exhibit 3*



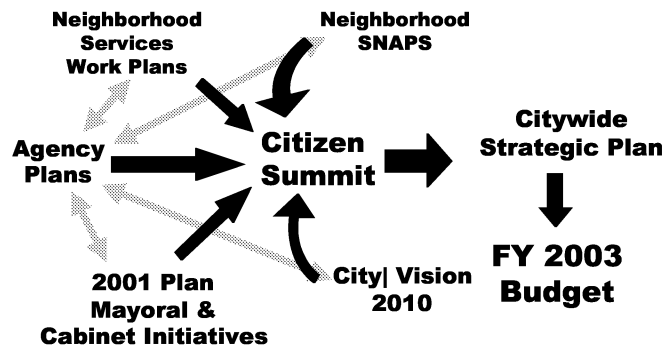
The strategic management cycle is the framework for managing the District government. The cycle integrates and coordinates the District's planning, budgeting and performance management activities. The FY 2003 Proposed Budget and Financial Plan is the culmination of months of strategic planning at the neighborhood, agency and citywide level. Exhibit 4 portrays the various planning activities that influenced the development of the Mayor's proposed budget.

Strategic Neighborhood Action Plans (SNAPs) and the citywide strategic plan will be available from the Office of Neighborhood Action while agency strategic plans are available from the specific agency or the Office of the City Administrator. To ensure that the results of these planning activities and priorities are reflected in the proposed budget, the budget process is developed to coincide with the planning processes. Specific initiatives are highlighted within the individual agency budget chapters to address issues highlighted in the SNAPS and the citywide strategic plan.

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## District of Columbia Strategic Planning Processes

Exhibit 4



### What is the difference between the budget volumes?

The budget is presented in multiple volumes and multiple media to assist in the decision making process and to facilitate the inclusiveness of the process. The FY 2003 Proposed Budget and Financial Plan is presented in the following volumes:

#### District of Columbia Citywide Strategic Plan

The citywide strategic plan articulates the priorities of the citizens of the District of Columbia as presented at the Citizen Summit II on October 6, 2001. It also includes the proposed actions and initiatives of District agencies to address these priorities. The plan will be published shortly by the Office of Neighborhood Action.

#### 2002- 2003 Policy Agenda

The policy agenda articulates the priorities of the Mayor for FY 2003 and beyond. The agenda builds off the citywide strategic plan and includes specific chapters that address in detail the priority areas reflected in the citywide strategic plan.

#### FY 2003 Proposed Budget and Financial Plan

The FY 2003 Proposed Budget and Financial Plan includes a comprehensive presentation of policy, financial, and programmatic information. Strategic goal information for each agency and performance information are also included. Please see the How to Read the Budget section of this volume for a legend for the types of information presented for each agency.

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## How and when the budget is prepared

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### Neighborhood Planning

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| Summer 2000 – September 2001 | Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The results of these Strategic Neighborhood Action Plans (SNAPs) provide invaluable information and insight as to the priorities of the various neighborhoods of the District. |
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### Budget Guidance

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| August – October 2001 | The FY 2003 budget process began with the Office of Budget and Planning (OBP) developing and distributing the FY 2003 budget manual containing guidelines to agencies for developing their budget request. |
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### Citizen Summit II

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| October 6, 2001 | On October 6, 2001 the Mayor hosted Citizen Summit II at the Washington Convention Center to seek citizen input on the draft Citywide strategic plan. |
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### Agency Budget Request Development

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| October – December 2001 | Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2003 budget request and program enhancements. |
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### Budget Analysis

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| December 2001 – January 2002 | OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data. |
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### Budget Presentation

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| January 2002 – March 2002 | OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies, final budget priorities were determined, and the FY 2003 proposed budget was finalized. |
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### Budget Consensus Process

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|                           | The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on the FY 2003 spending priorities. The District is legislatively required to develop and adopt a balanced budget. |
| March 20 – April 19, 2002 | Public hearings on the FY 2003 proposed budget  |
| April 22 – April 26, 2002 | Council begins marking up the Mayor's proposed budget   |
| May 7, 2002               | Council approves the FY 2003 Budget and Financial Plan  |
| June 4, 2002              | The FY 2003 Approved Budget and Financial Plan is submitted to Congress   |